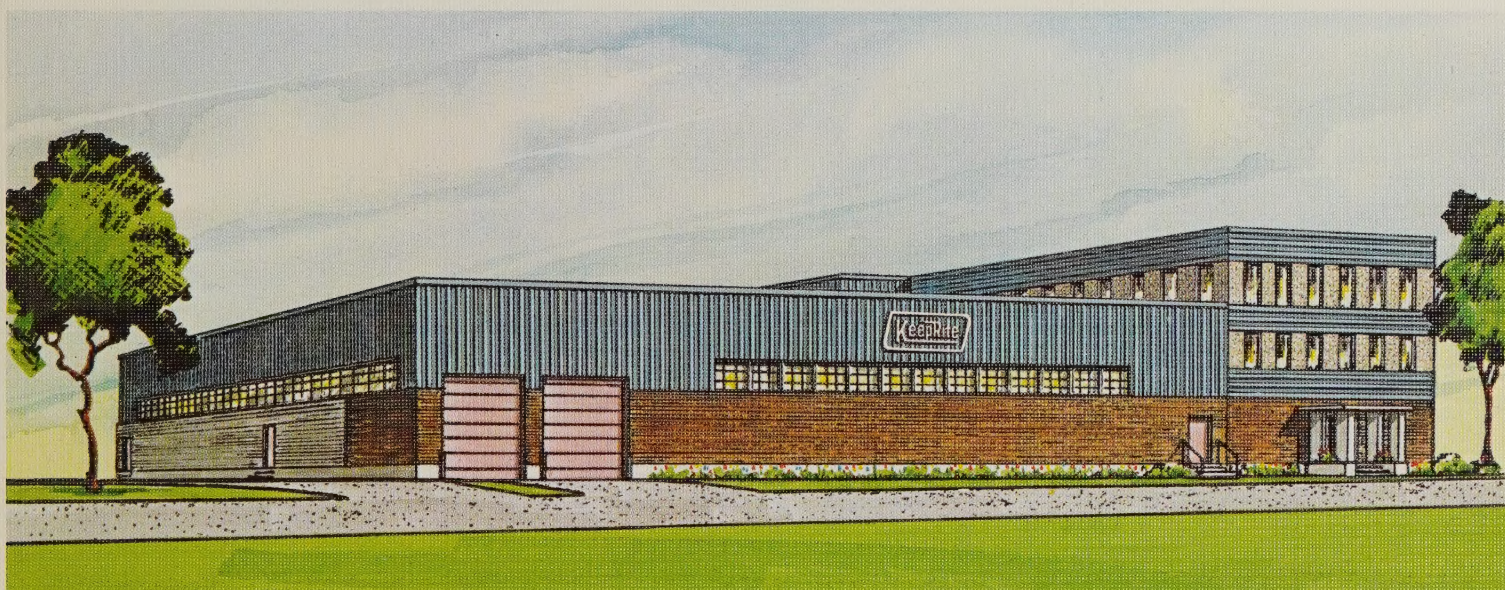




KEEPRITE PRODUCTS LIMITED

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1972 annual report



KEEPRITE PRODUCTS LIMITED

DIRECTORS

J. GORDON McMILLEN
Brantford, Ontario

F. STEWART BROWN
Brantford, Ontario

JOHN G. EDISON, Q.C.
Toronto, Ontario

JOHN O. TREPANIER, Q.C.
Brantford, Ontario

IRVIN M. BODINE
Brantford, Ontario

JOHN J. BLACK
Brantford, Ontario

ROSS M. HANBURY
Toronto, Ontario

OFFICERS

J. GORDON McMILLEN
President and
Chief Executive Officer

IRVIN M. BODINE
Executive Vice President
Commercial Development

F. STEWART BROWN
Executive Vice President,
Corporate Operations

JOHN J. BLACK
Secretary-Treasurer

MRS. ETHEL L. MASON
Assistant Secretary-Treasurer

**REGISTRAR AND
TRANSFER AGENTS**

THE CANADA TRUST COMPANY
Montreal, Toronto, Winnipeg, Calgary, Regina and Vancouver

SHARES LISTED

**MONTREAL STOCK EXCHANGE
TORONTO STOCK EXCHANGE**

AUDITORS

MILLARD, ROUSE AND ROSEBRUGH
Chartered Accountants
Brantford, Ontario

BANKER

CANADIAN IMPERIAL BANK OF COMMERCE

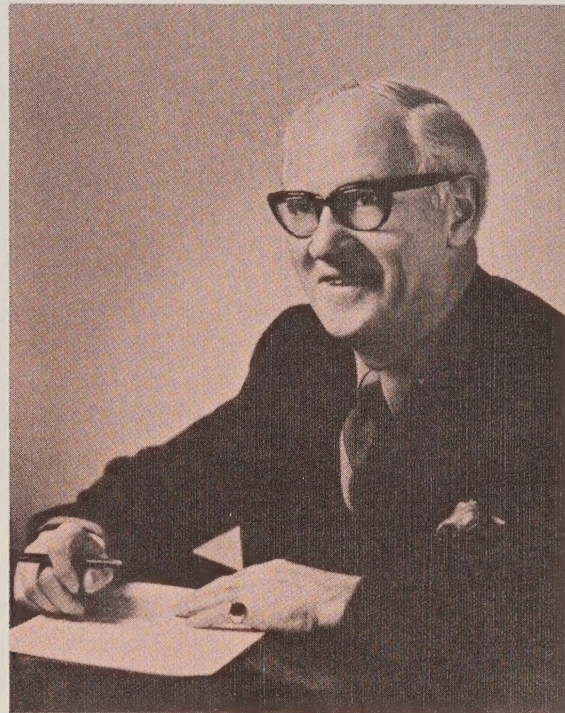
**COMPANY PLANTS
AND OFFICES**

HEAD OFFICE	— 44 Elgin Street, Brantford, Ontario
PLANTS	— 44 Elgin Street, Brantford, Ontario 1030 Clarke Sideroad, London, Ontario
SALES OFFICES	— Halifax, Montreal, Ottawa, Toronto, Hamilton, London, Winnipeg, Vancouver
REPRESENTATIVES	— Simsbury, Connecticut, U.S.A. Stafford and Glasgow, U.K.

FRONT PAGE PICTURE

New addition to our production area
at Brantford factory

report of the board of directors



J. GORDON McMILLEN,
President.

To the Shareholders:

The audited financial statements presented herewith give a summary of the operating results of your Company for the year ended December 31, 1972. The charts show a graphic comparison of your Company's activities, and results realized over the past five years. Also included is a ten-year summary of financial highlights.

SALES AND INCOME:

Sales of \$26,866,236 for the year 1972 were 17.8% higher than the previous year. The increase was relatively evenly distributed over our product lines, but sales volume in our domestic markets showed the greatest percentage improvement. The net income after taxes for 1972 was \$1,462,508, or 5.4% of sales, which compares favourably with 4.9% of sales for the previous year.

FINANCIAL POSITION:

Working capital increased by \$1,948,040 over a year earlier, maintaining a ratio of current assets to current liabilities of 2.0 to 1. During the year the Company arranged for an increase of \$1,750,000 in term debt under a debenture secured loan to assist in providing for the very

large expenditures for plant expansion and equipment modernization as well as for the growth requirements in current assets.

Accounts receivable are substantially higher than in previous years, at 21.1% of annual sales and this is accounted for mainly by a high level of shipments for the last two months of 1972.

The value of inventory at the year-end is also higher, indicating a turnover of 4.7 times as compared to 5.6 in 1971. This is attributable to additional inventory required in support of the development of our sales in overseas markets and to planned inventory buildup to support anticipated high levels of production in January and February 1973.

In 1972 the Company made the largest expenditure in its history on fixed assets (buildings, equipment and production toolage) amounting to \$1,067,444, which included the 25,000 sq. ft. plant expansion at Brantford and additions to the semi-automated processing and assembly facilities, as well as modern large capacity presses and high-speed finning presses. The major part of this program has been completed.

report of the board of directors (cont'd.)

The shareholders' equity or net worth of the Company increased by 21.3% (\$1,047,394) in 1972 after paying dividends (prior to the capital reorganization referred to in note 3 to the financial statements) of \$415,146 to Class A and common shareholders.

GENERAL:

The continuing growth trend, and the overall results of our operations for the past year have been gratifying. The inflationary spiral in our economy of higher and higher costs for labour and materials give cause for real concern about remaining competitive in the marketplace. Indefinite political conditions, and lack of positive tax legislation and regulations in Canada, plus unsettled trade relations and international monetary exchange problems are all disturbing elements in the Canadian business outlook for 1973.

However, your Company is pursuing aggressive new product development programs, as well as strengthening the marketing and distribution organization. We are also vigorously pursuing overseas markets with gratifying results to date, and future growth potential in this area looks encouraging.

Your Directors and the Management of your Company are fully aware of the necessity for combating rising costs by upgrading manufacturing facilities and methods, as demonstrated by recent sizeable capital expenditures, and we intend to fully consolidate and exercise the necessary controls to effect the anticipated results.

APPRECIATION:

We acknowledge, with gratitude, the continuing confidence of our customers, the assistance of our suppliers, and the interest and support of our shareholders and the financial community. We are grateful, in particular, to our KeepRite people in all phases of our operation for their continuing loyal support in our endeavours to build a profitable and growing enterprise where opportunity, satisfaction, and security is available for our people.

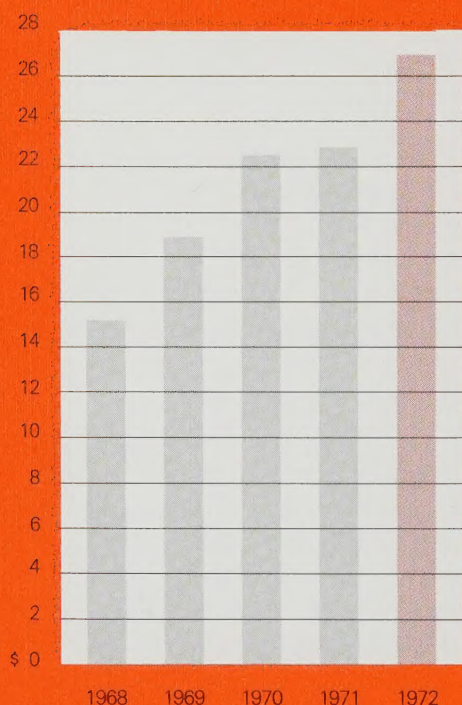
On behalf of the Board of Directors,

J. GORDON McMILLEN,
President.

April 10, 1973

net sales

5 YEAR PERIOD [In Millions]



statement of income

	Year ended December 31st	
	1972	1971
SALES	\$26,866,236	\$22,798,661
Cost of sales, selling, administrative and other expenses, exclusive of the items listed below	23,578,114	20,105,919
Depreciation	479,619	365,259
Interest on long term debt	58,409	65,260
	<u>24,116,142</u>	<u>20,536,438</u>
Net income for the year before taxes on income	2,750,094	2,262,223
Taxes on income (Note 1)	1,287,586	1,142,112
NET INCOME FOR THE YEAR	<u>\$ 1,462,508</u>	<u>\$ 1,120,111</u>
Basic earnings per share:		
Class B and / or Class C	74.4c	57.0c *

* 1971 restated on basis of 1972 capital reorganization

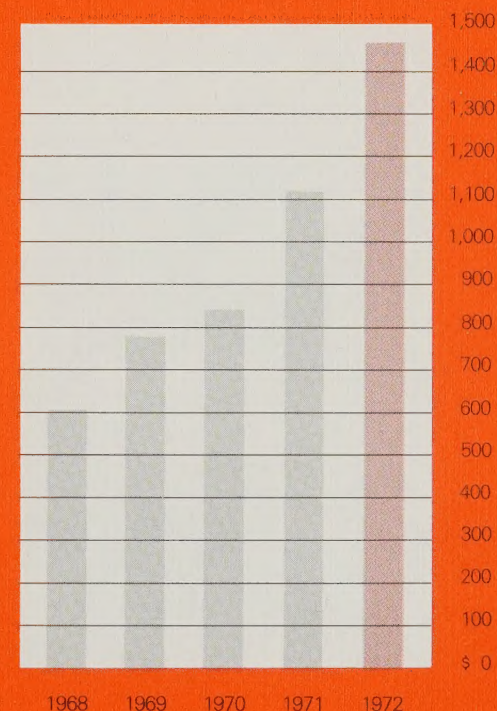
statement of retained earnings

	Year ended December 31st	
	1972	1971
Balance — beginning of year	\$ 4,884,026	\$ 4,070,171
Add: Net income for the year	1,462,508	1,120,111
	<u>6,346,534</u>	<u>5,190,282</u>
Deduct: Dividends declared *		
— Class A shares	205,559	169,223
— Common shares	209,587	137,033
	<u>415,146</u>	<u>306,256</u>
Balance — end of year	<u>\$ 5,931,388</u>	<u>\$ 4,884,026</u>

* On shares outstanding prior to 1972 capital reorganization

net income after taxes

5 YEAR PERIOD (In Thousands)



balance sheet as at

(WITH COMPARATIVE FIGURES FOR 1971)

assets

	1972	1971
CURRENT ASSETS:		
Cash on hand and in bank	\$ 401,034	\$ 193,592
Accounts receivable after allowance for doubtful accounts	5,671,967	3,312,997
Inventories valued at lower of cost or market	5,691,943	4,046,346
Prepaid expenses	14,972	14,597
Total Current Assets	11,779,916	7,567,532
OTHER ASSETS:		
Investments at cost	3,000	3,000
FIXED ASSETS:		
Land, buildings and equipment at cost	4,487,734	3,583,575
Less: Accumulated depreciation	1,955,567	1,639,234
	<u>2,532,167</u>	<u>1,944,341</u>
 Signed on behalf of the Board: J. GORDON McMILLEN, Director JOHN J. BLACK, Director		
	<u>\$14,315,083</u>	<u>\$9,514,873</u>

auditors' report

To the Shareholders,
KeepRite Products Limited:

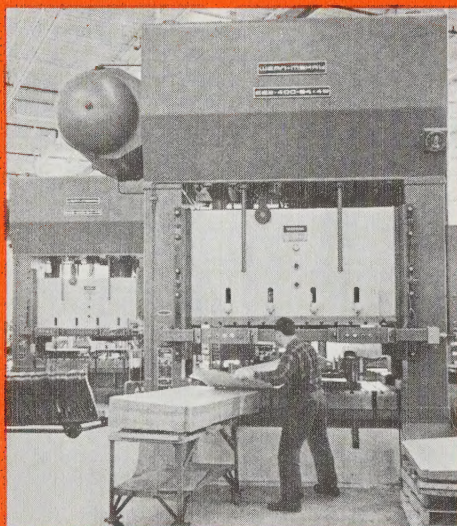
We have examined the balance sheet of KeepRite Products Limited as at December 31, 1972 and the statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1972, and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Brantford, Ontario
March 2, 1973

MILLARD, ROUSE AND ROSEBRUGH
Chartered Accountants

Two 400-ton new presses
recently installed
at Brantford factory



December 31, 1972

(FIGURES FOR 1971)



KEEPRITE PRODUCTS LIMITED

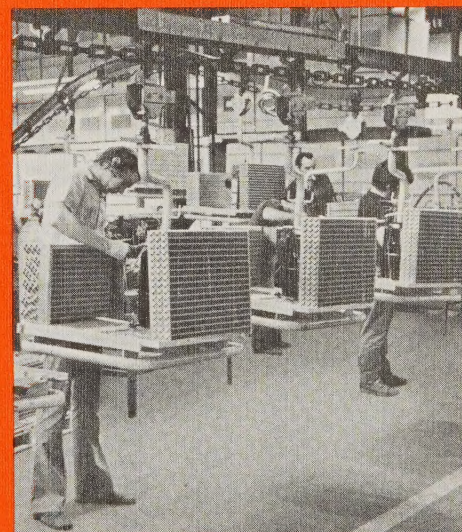
liabilities

	1972	1971
CURRENT LIABILITIES:		
Bank loan	\$ 2,147,000	\$ 903,000
Accounts payable and accrued liabilities	2,981,197	2,264,281
Salaries, wages and commissions payable and payroll deductions to be remitted from employees' compensation	417,785	330,740
Income taxes payable	214,518	248,134
Current maturity on long term debt (Note 2)	250,000	—
Total Current Liabilities	\$ 6,010,500	3,746,155
DEFERRED INCOME TAXES (Note 1) ..	107,656	119,185
LONG TERM DEBT:		
Debenture secured loan (Note 2)	2,250,000	750,000

shareholders' equity

CAPITAL: (Note 3)		
Class B participating shares without par value		
Authorized: 2,500,000 shares		
Issued and fully paid: 1,880,031 shares	14,868	
Class C participating shares without par value		
Authorized: 2,500,000 shares		
Issued and fully paid: 84,850 shares ...	671	
Common shares without par value		
Authorized: 1,000 shares		
Issued and fully paid: Nil	—	
	15,539	(Note 3) 15,507
RETAINED EARNINGS	5,931,388	4,884,026
	5,946,927	4,899,533
	\$ 14,315,083	\$ 9,514,873

KeepRite's new powered room air conditioner assembly line in Brantford factory



statement of source and application of funds

Year ended December 31st

SOURCE OF FUNDS:

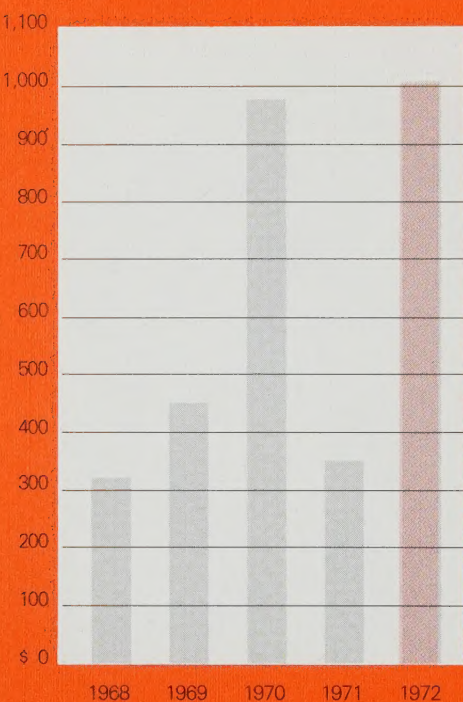
	1972	1971
Net income from operations	\$ 1,462,508	\$ 1,120,111
Depreciation charged to operations	479,619	365,259
Total funds provided from operations	1,942,127	1,485,370
Increase in long term debt	1,500,000	—
Proceeds from sale of shares	32	—
	<u>\$ 3,442,159</u>	<u>\$ 1,485,370</u>

APPLICATION OF FUNDS:

Dividends declared and paid	415,146	306,256
Fixed assets purchased	1,067,444	351,795
Decrease in long term debt	—	250,000
Decrease in deferred income tax	11,529	12,092
Increase in working capital	1,948,040	565,227
	<u>\$ 3,442,159</u>	<u>\$ 1,485,370</u>

**new investment in
fixed assets & toolage
—to help present
and future growth**

5 YEAR PERIOD (In Thousands)



notes to financial statements

Note 1: INCOME TAXES

In addition to the current year's provision for income taxes, an amount of \$11,529 is currently payable as a result of claiming for tax purposes capital cost allowance in a lesser amount than depreciation recorded in the accounts. This amount has been charged as a reduction in the balance sheet to deferred income taxes, which had been accumulated as a result of claiming accelerated capital cost allowance for tax purposes in prior years.

Note 2: LONG TERM DEBT

The company has entered into an agreement dated July 18, 1972, with a Canadian bank for a long term loan in the amount of \$2,500,000, bearing interest at the bank's minimum commercial lending rate, plus 1¼ % per annum (December 31, 1972 — 7¼ %). This loan is secured by a first mortgage on the fixed assets and a first floating charge on all other property and assets of the company and is repayable in equal annual instalments of \$250,000 commencing September 30, 1973 and continuing on September 30 in each year thereafter until September 30, 1979, on which date the balance outstanding is payable in full.

Note 3: CAPITAL

After December 31, 1971, two additional Class A shares were issued for cash consideration of \$32. By Articles of Amendment, effective August 23, 1972, the authorized capital of the company was changed to consist of 2,500,000 Class B participating shares without par value, 2,500,000 Class C participating shares without par value and 1,000 Common shares without par value. The Articles provided for the reclassification of 604,580 issued Class A shares and 1,209,156 Common shares into 1,964,881 Class B shares. The Class B shares and Class C shares are fully inter-convertible at the option of the holder at any time. The capitalization of the Company and the shares outstanding at the respective year-ends are summarized in the table below.

	As at December 31, 1972			As at December 31, 1971		
	Authorized Shares	Issued and Outstanding Shares	Amount	Authorized Shares	Issued and Outstanding Shares	Amount
Class A shares without par value	—	—	—	900,000	604,578	\$ 5,169
Class B participating shares without par value	2,500,000	1,880,031	\$14,868	—	—	—
Class C participating shares without par value	2,500,000	84,850	671	—	—	—
Common shares without par value	1,000	NIL	NIL	1,500,000	1,209,156	10,338
		<u>1,964,881</u>	<u>\$15,539</u>			<u>\$15,507</u>

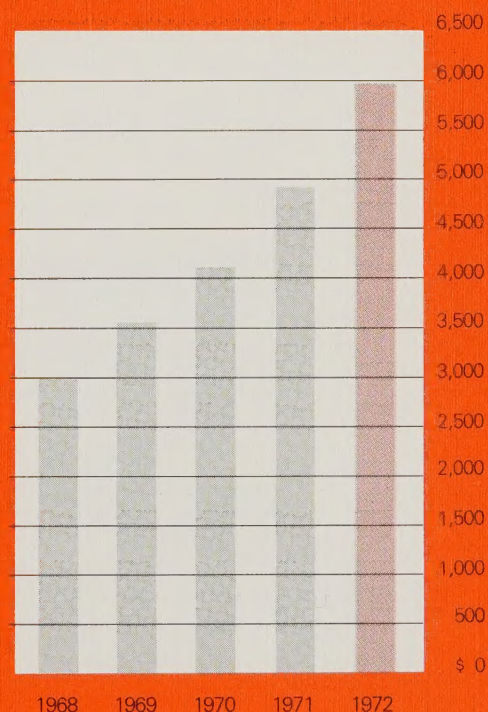
Note 4: DIRECTORS' AND OFFICERS' REMUNERATION

The aggregate direct remuneration paid or payable by the Company to the directors and senior officers for the year 1972 was \$230,952.

shareholders' equity

5 YEAR PERIOD

(In Thousands)



ten year summary of financial highlights

OPERATIONS:

(In thousands of dollars)	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963
Net Sales	\$26,866	\$22,798	\$22,444	\$18,855	\$15,198	\$11,688	\$9,690	\$9,128	\$6,243	\$3,456
Income before Income Taxes	2,750	2,262	1,755	1,639	1,260	913	627	609	447	265
Income Taxes	1,288	1,142	918	853	656	466	316	307	223	126
Net Income after Taxes	1,462	1,120	837	786	604	447	311	302	224	139

BALANCE SHEET:

(In thousands of dollars)	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963
Working Capital	5,769	3,821	3,256	3,334	2,891	2,514	1,206	1,072	913	899
Fixed Assets — net after depreciation	2,532	1,944	1,958	1,339	1,232	1,171	1,184	1,119	619	346
Yearly Depreciation Provided	479	365	362	336	259	179	169	216	101	100
Annual Investment Fixed Assets and Toolage	1,067	352	980	443	320	166	234	716	374	113
Shareholders' Equity	5,947	4,899	4,085	3,536	2,971	2,533	2,089	1,783	1,462	1,232

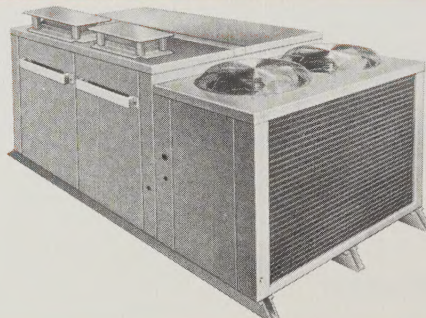
* EARNINGS PER SHARE

Class B and / or C	74.4c	57.0c	42.6c	40.0c	30.8c	22.8c	15.8c	15.4c	11.4c	7.1c
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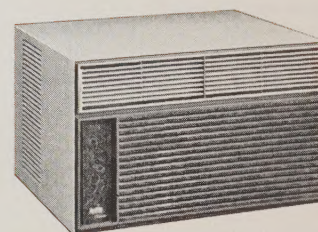
* Adjusted to reflect reclassification of share capital in 1967, the three for one subdivision of shares on May 1, 1969, and capital reorganization of August 23, 1972.



KeepRite's new introduction
to Canadian market:
Computer Room Air Conditioner



Roof-Top Air Conditioning Units
for heating, cooling and air
cleaning in one package



KeepRite's Climette series
Room Air Conditioners for
overseas export markets

**More Than —
Refrigeration and
Air Conditioning Equipment —**

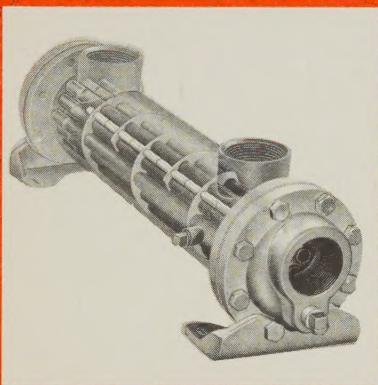
Our **Unifin Division**

in London, Ontario engineers heat transfer equipment for many of the largest hydro-electric, coal fired and nuclear powered generating stations in the world.

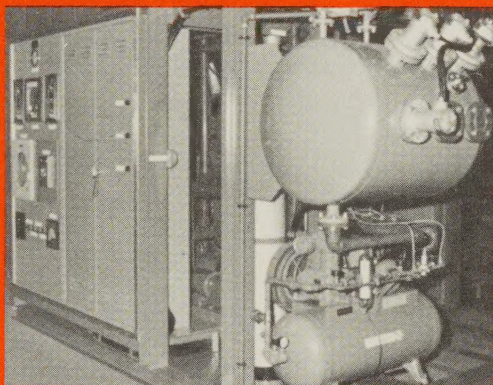
You'll also find Unifin in such diverse locations as pipeline compressors in Alberta . . . diesel engines in Texas . . . pulp and paper plants in Louisiana . . . and even warships on the high seas.

The Unifin Division has expanded tremendously since it became part of KeepRite in 1965 — almost doubling the number of people on the Unifin team during that time.

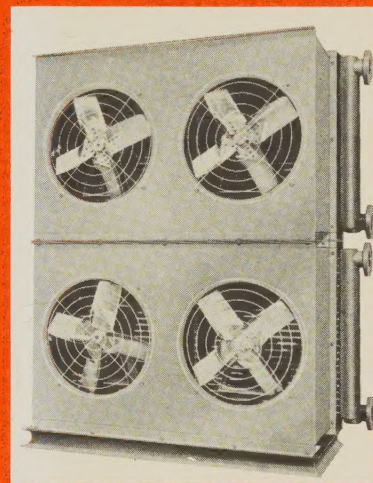
And you can find the results of their talents at work in Unifin installations all over the world.



A new industrial heat exchanger designed and built by Unifin Div.



A complete cooling system by Unifin Division for Manitoba Hydro, to cool the rectifiers on the Nelson River D.C. transmission line.



An air cooled heat exchanger for cooling oils and liquids



A DIVISION OF **KeepRite** PRODUCTS LIMITED

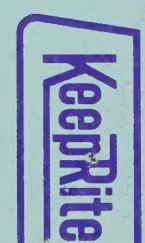
SALES REPRESENTATIVES: HALIFAX, MONTREAL, TORONTO, LONDON, HAMILTON, SIMSBURY, CONN. [U.S.A.], STAFFORD and GLASGOW [U.K.]

Also Sales Representatives in: Australia, Greece, India, Israel, New Zealand, Philippines, Singapore, Sweden and Turkey



KEEPRITE PRODUCTS LIMITED

1972 annual report



AR10

Interim Report to Shareholders

FOR THE SIX MONTHS ENDED

JUNE 30th

1972

KEEPRITE PRODUCTS LIMITED

KEEPRITE PRODUCTS LIMITED

BRANTFORD, ONTARIO

TO OUR SHAREHOLDERS

A financial statement, comparing results of operations for the six month period ended June 30, 1972, with the same period in 1971, is presented herewith.

Net sales for this half-year increased by 18.9% over the same period last year, with a profit to sales ratio of 5.2% as compared to 4.4% in the first six months of 1971.

Continued efforts to increase our penetration of existing markets and the development of new customers have resulted in the highest sales volume for any six month period in the history of the Company.

This, coupled with the sizeable expenditures for fixed assets (building expansion, equipment modernization, and production toolage) made in 1970, has been effective, for the time being, in helping offset the challenge of steadily rising costs for materials and services and the difficulties created in our markets by the increase in the relative exchange value of the Canadian dollar.

In our endeavour to maintain the Company's growth and remain competitive, your Board of Directors has authorized a 25,000 sq. ft. plant expansion in Brantford, together with substantial expenditures for large capacity modern presses, automatic brazing equipment, and additions to semi-automated processing and assembly facilities.

The funds for this program, which will entail expenditures in excess of one million dollars, have been arranged by the Company through a term debenture. This will be the largest single expenditure for plant enlargement and modernization ever undertaken by the Company.

August 16, 1972.

J. GORDON McMILLEN,
President.

COMPARATIVE INTERIM FINANCIAL STATEMENT

(unaudited — subject to year-end adjustment)

STATEMENT OF INCOME

	1972	1971
SALES	\$17,427,455.	\$14,662,596.
Cost of sales, selling, administrative and other expenses exclusive of items listed below	15,292,372.	13,011,091.
Depreciation	228,004.	244,560.
Interest on long term debt	22,552.	33,342.
	\$15,542,938.	\$13,288,993.
Net income for the period before taxes on income	\$ 1,884,517.	\$ 1,373,603.
Taxes on income	978,547.	724,595.
NET INCOME FOR THE PERIOD	\$ 905,970.	\$ 649,008.
Period basic earnings per share — Net — Class A	55.5c	41.3c
Period basic earnings per share — Net — Common	47.2c	33.0c

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

SOURCE OF FUNDS:

	1972	1971
Net income from operations	\$ 905,970.	\$ 649,008.
Depreciation charged to operations	228,004.	244,560.
Total funds provided from operations	\$ 1,133,974.	\$ 893,568.

APPLICATION OF FUNDS

Land and Building Purchases	\$ 20,500.	\$ 81,516.
Machinery and equipment purchased	122,016.	208,413.
Dividends paid	364,762.	255,936.
Decrease in deferred income tax	5,135.	6,255.
	\$ 512,413.	\$ 552,120.
Funds retained as increased working capital	\$ 621,561.	\$ 341,448.

Corp report